



Agenda Report

MEETING DATE: Tuesday, February 23, 2021

TO: City Council

FROM: ADMINISTRATIVE SERVICES DIRECTOR CZERWIN

SUBJECT: RESOLUTION APPROVING A DEBT MANAGEMENT POLICY

STATEMENT OF ISSUES:

The City currently has no adopted debt policy and needs to adopt one in order to issue debt and be compliant with subdivision(a) of Government Code § 8855.

RECOMMENDED ACTION:

That the City Council adopt a resolution adopting a debt management policy that is compliant with subdivision (i) of Government Code § 8855.

DISCUSSION:

Debt management policies are written guidelines, allowances, and restrictions that guide the debt issuance practices of local governments, including the issuance process, management of a debt portfolio, and adherence to various laws and regulations. A debt management policy improves the quality of decisions, articulates policy goals, provides guidelines for the structure of debt issuance, and demonstrates a commitment to long-term capital and financial planning. Adherence to a debt management policy signals to rating agencies and the capital markets that a government agency is well managed and therefore is likely to meet its debt obligations in a timely manner.

Senate Bill No. 1029, adopted in 2016, amended subdivision (i) of Government Code Section 8855 to require an issuer to have a debt management policy in place before issuance of debt. This Debt Management Policy, as presented to the Council for approval, fulfills the requirement for the City to have a local debt policy compliant with subdivision (i) of Government Code § 8855. The proposed Debt Management Policy identifies the reasons why the City may issue debt, designates responsibilities, defines several key terms, formalizes City policies regarding various debt structuring considerations, and outlines the ongoing requirements related to tax compliance, disclosure, and bond administration.

Subdivision (i) requires an issuer's debt policy must include the following items (A) through (E):

- A. The purposes for which the debt proceeds may be used
- B. The Types of debt that may be issued

- C. The relationship of the debt to, and integration with, the issuer's capital improvement program or budget, if applicable
- D. Policy goals related to the issuer's planning goals and objectives
- E. The internal control procedures that the issuer has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.

As you can see, the proposed debt management policy attached here includes those required items and complies with subdivision (i) of Government Code Section 8855 as amended by SB 1029.

STRATEGIC PLAN:

02-Fiscal Health – Adopting a debt management policy defines responsible ways the City can issue debt to meet financial goals and comply with Government Code Section 8855(i).

FINANCIAL IMPACT:

There is no anticipated direct financial impact from the adoption of the proposed debt management policy.

ALTERNATIVE ACTION:

Council may choose to reject the debt management policy and direct staff to prepare an alternative policy. However, please note that the City will remain out of compliance with the provisions of SB 1029 if it does not adopt a local debt management policy.

ATTACHMENTS AND/OR REFERENCES (If any):

None.